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## Canada

### Retail Food Sector

### Convenience and Non-Traditional Grocery Outlets

## Report

## 2002

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#### Report Highlights:

**There is a growing market for food products in Canada. The Canadian non-traditional retail grocery sector is growing and food is a significant factor in the expansion of the sector. Driving this expansion is the time-pressed consumer in search of convenience – and the preferred destination is one-stop shopping. US food producers and processors are encouraged to explore opportunities in this expanding market.**

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# CANADA NON-TRADITIONAL RETAIL FOOD SECTOR REPORT

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## Introduction

There is a growing market for food products in Canada. The Canadian non-traditional retail grocery sector is growing, as it is in the United States, and food is a significant factor in the expansion of the sector. Consumer demand for home replacement meals is increasing steadily and the meal solutions sought are those perceived to be flavorful, healthful, nutritious and safe. Therefore, United States' food producers and processors are encouraged to explore opportunities in this expanding market.

Channel-blurring in Canada's non-traditional retail grocery sector has been evolving over the past four years. Today, the non-traditional sector is almost a mirror image or microcosm of the traditional retail grocery sector. Driving this expansion is the time-pressed consumer in search of convenience -- and the preferred destination is one-stop shopping.

In Canada, almost every major banner non-traditional grocery retailer is a purveyor of meal solutions, an ever-widening selection of groceries and, increasingly, in-store foodservice – in addition to a host of destination services such as ATMs (Automated Teller Machines), dry cleaning, shoe repair and so forth. Convenience stores are being located at gas bars and gas bars are being located in the parking lots of mass merchandisers and chain supermarkets.

With so much encroachment on the territories of competing channels, it is not surprising that, in Canada, statistics on the growth and value of non-traditional sector and its multiple channels are, for the most part, scant. In-depth research enabled us to develop estimated data. Where these appear, they are clearly identified as "estimated" amounts or percentages.

Statistical data on Canada's convenience stores (c-stores) pertain only to major banner c-stores. Independent and mom-and-pop convenience stores are considered by statistical and tracking organizations to be part and parcel of Canada's small, individually-owned retail grocer segment. As such, data on the sales and number of these c-stores are inaccessible as a distinct component. The research tells us clearly that individually-owned c-stores and retail groceries are struggling to survive. Their sales and numbers have plummeted over the past decade and continue to do so. From our research and in the absence of statistical evidence, we have deduced that the marginally negative growth registered by the non-traditional sector in 2000 is attributable in large part to the faltering fortunes of these small, individually-owned convenience stores.

Canada's ethnic food stores and bakeries, butcher shops and delis are more than alive and well. Concentrated in Canada's urban and major metropolitan centres, where they are patronized by growing multicultural populations, they are thriving. There is, however, no statistical data available for these channels. Where references are made to these channels, we have indicated that statistical data were Not Available (N/A). The industry association to which Canadian bakeries, butcher shops and delis belong is the International Dairy Deli Bakery Association based in Washington, DC.

## I. Market Summary

Grocery sales in Canada increased 3.9 per cent to total \$70.6 billion in the year 2000 from \$68 billion one year earlier. Non-traditional grocery retailers' total sales edged up to \$17.6 billion in 2000 from \$17.48 billion in 1999. However, the sector's overall share of total retail grocery sales in Canada decreased in 2000 to 24.9 per cent from 25.7 per cent the year before.

Traditional retail food outlets are defined as major food shopping destinations for consumers purchasing ingredients for more than one meal, and where procurement tends to be a centralized function. Non-traditional channels are defined as retail outlets that cater to and are patronized by convenience shoppers in search of staples, single meal solutions, snacks, ready-to-drink beverages and/or tobacco products, excepting club warehouse stores where volume purchasing is the norm.

The non-traditional sector comprises:

- < convenience stores
- < health food, natural/health and organic food stores
- < on-line grocers
- < mass merchandisers
- < warehouse clubs
- < chain drug stores
- < ethnic groceries
- < delis, bakeries, butcher shops.

The traditional sector consists of corporate chain supermarkets, chain supermarkets, franchised independents, independent supermarkets with four or more stores, and unaffiliated independents (small groceries, convenience stores and mom-and-pop stores).

Within the non-traditional sector, mass merchandisers, warehouse club stores, drugstores and specialty food stores, including bakeries and butcher shops, rang up \$14 billion in grocery sales in 2000, the same as in 1999.

Major banner convenience stores posted a 3.5 per cent gain over 1999, as sales rose to \$3.6 billion. Major banner convenience stores are defined as convenience stores that share a mutual store banner with a head office. Examples include: Couche-Tard, 7-Eleven, Green Gables, Mac's, Provi-Soir, Quickie and well-known gas bar/c-stores, such as Shell Select Food Stores, EssoTiger Express, Petro-Canada Super Stop Convenience, and Turbo in Western Canada which pioneered the gas-bar/foodservice/c-store concept in Canada.

According to ACNielsen, approximately 42 per cent of Canadians' food purchases in 1999 were from supermarkets, and 16.5 per cent were from mass merchandisers and warehouse clubs.<sup>1</sup>

Three non-traditional grocery retailers – Costco, Wal-Mart and Shoppers Drug Mart - are among the top 10 retailers that account for 80 per cent of Canada's grocery sales through all outlet channels. The trio accounted for 11.8 per cent of total national grocery sales.

Across Canada, gas stations stepped up their partnerships with convenience stores, contributing significantly to growth in the number of major banner convenience stores from 6,629 in 1999 to 6,812 in 2000.

### *Groceries a bargain*

While 2000 was generally a good year for grocers in both sectors, consumers enjoyed another year of

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<sup>1</sup>Canadian Grocer, December 2000: 2000: The Year That Was", by Julia Drake

grocery bargains. As a percentage of total consumer goods and services bought, food purchases continued their decline of the past decade, slipping from 10.5 per cent in 1991 to 9.3 per cent in 2001.

Consumers across Canada made fewer shopping trips overall in 2000, when the number of store visits averaged 148.1 trips per capita. This was lower by 3.2 per cent from 1999, when consumers averaged 153.0 trips per capita. In the non-traditional sector, however, gains were notched up in 2000 by mass merchandisers (+0.7 per cent to 15.5 trips per capita) and warehouse club stores (+0.2 per cent to 9.7 visits per capita).

Industry analysts anticipate the consumer confidence that contributed to retailer's gains in 2000 has abated this year owing to economic contraction, job losses, threat of war and terrorist attacks, high energy costs, and stock market volatility<sup>2</sup>. The softening in Canada's economy was evident in Q3/2001 results and the signs continued into Q4. While consumers will continue to shop at Canada's grocery stores this year and next, they are likely to forego some luxuries and higher-priced conveniences, opting instead for more moderately priced items. By the close of 2001, total grocery sales in Canada are expected to rack up a smaller increase of about 2.9 per cent over 2000.

## Non-Traditional Grocery Sector in Canada

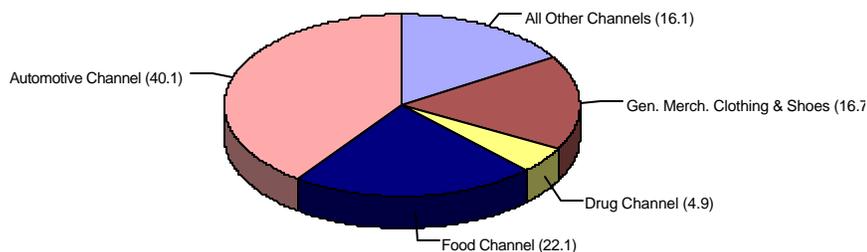
### Channels, Grocery Sales, Stores, Market Share

Channel	Grocery Sales\$ (billions)	No. Of Stores	% Share NT grocery sales	% Share Total grocery sales
Drug Stores	4.4	6,920	25.9	6.2
Major banner convenience	3.6	6,812	20.4	5.1
Warehouse club	2.4	60	13.6	3.4
Mass merchandisers	2.0	506	11.4	2.8
Bakery, Butcher, Deli, Ethnic	4.19	N/A	23.0	5.9
Organic/natural/health food	0.96	1,000	5.4	1.4
Online	0.05	6	0.3	0.1
<b>Total Non-Traditional</b>	<b>17.6</b>		<b>100</b>	<b>24.9</b>

<sup>2</sup> Canadian Grocer, February/March 2001: National Market Survey, by George Condon

## % Canada's Total Retail Market in 2000

\$277.2 Billion Market-Growing by 6.3%



### Overview and Comparison of Sub-Sectors

Although the non-traditional sector gave up ground in terms of share of total retail grocery sales in Canada, slipping to 24.9 per cent in 2000 from 25.7 per cent in 1999, in general the sector fared well. Major banner convenience stores and mass merchandisers racked up gains in grocery sales.

Across Canada, the lines that demarcate retail grocery channels continued to blur as all segments pursued the consumer's convenience grocery dollar – in particular, the foodservice/meal solutions coin. The trend dominating the sector – and, indeed, the entire retail grocery industry - is home meal replacement.

Major banner convenience stores are offering meal solutions, in-store food service with sit-down counters, ATMs, partnering with foodservice and destination service providers such as Java Café coffee and Subway, dry cleaners, shoe repair, and photo-processing. They're also expanding the formats of their stores and their networks of gas-bar/c-stores, such as Couche-Tard's Select Food Stores at Shell stations, where there are now 300 outlets.

#### I) Drug Stores

More than one-third (36 per cent) of pharmacies in Canada carry groceries which, on average, account for 3.5 per cent of those stores' total sales<sup>3</sup>. However, drug stores' share of retail grocery sales continued to slide: from 7.3 per cent in 1998, to 6.6 per cent in 1999, and to 6.2 per cent (\$4.45 billion) in 2000. The reason, in part: consumers paid fewer visits, making an average 17.3 trips to drug stores - down 1.2 per cent from 1999. This is in contrast to strong gains registered between 1994 and 1996, when sales growth in 18 grocery categories tracked by ISL International Surveys Ltd.<sup>4</sup> averaged almost 50 per cent.

Since 1998, even the predominant grocery sub-categories in drug stores -- chocolate bars and candies (\$100.2 million), and boxed chocolates (\$79.3 million)<sup>5</sup> – have lost ground. According to ACNielsen MarketTrack data for March 25, 2000, traditional retailers are taking an increasingly bigger bite out of the confectionery market at the expense of drug stores. For example, supermarkets' share of chocolate bar

<sup>4</sup>ISL International Surveys Limited

<sup>5</sup>Canadian Grocer, 2001 Executive Report 2002: Canadian Grocery Industry, page 25

sales was up 8 per cent to \$165.6 million and of boxed chocolates, 24 per cent to \$44.7 million.

## **B) Convenience Stores**

Once the only game in town for Sunday and late-night shopping, Canada's convenience stores were taking a beating a few years ago as 24-hour supermarkets, mass merchandisers, warehouse clubs and drugstores invaded their territory, undercutting prices and seizing market share. The channel hit bottom in 1997.

1998 was the turnaround year. Major banner convenience stores increased in number from 6,290 in 1997 to 6,401 and sales picked up by 1.5 per cent over 1997 to post \$3.36 billion in total sales at year's end. Canadian Grocer magazine<sup>6</sup> noted that the channel's need to differentiate itself and prove its value to customers was causing convenience store operators to change their product mixes, reduce prices and renew store decor. Many of the convenience stores added in 1998 were at gas stations. In 1999, major banner c- stores increased in number to 6,629 from 6,401. Sales picked up 4 per cent to an estimated \$3.48 billion.

In 2000, the upward trend gathered momentum as major banner c- stores posted an estimated \$3.6 billion in sales, up 3.5 per cent from \$3.48 billion. Stores increased to 6,812 from 6,629 in 1999, a 2.76 per cent year-over-year increase.

The recovery, especially the upsurge in store numbers, was driven in no small part by the North America-wide trend to gas bar/ c- stores. In Canada, Shell stations feature Select Food Stores, while Petro-Canada has Super Stop Convenience and Esso, Tiger Express.

Four non-traditional major banner convenience chains rank among Canada's top grocery distributors – Alimentation Couche-Tard, 7-Eleven, Northern Stores and A. de la Chévroitière – with combined sales of \$3.35 billion. Two – Couche-Tard and 7-Eleven -- operate nationally, but focus on regional market needs and trends.

The c- store segment in Canada is fragmented -- although less so than in the US -- and divided between major banner chains and small individually-owned stores. Consolidation in the channel is gathering momentum as larger major banners acquire smaller ones – and some not so small. In 2000, Couche-Tard acquired Silcorp (Mac's, Becker's) and, in 2001, made its first U.S. acquisition in Johnson Oil and, thereby, Bigfoot c-stores.

## **C) Warehouse Club Stores**

Costco posted grocery sales estimated at \$2.55 billion in 2000. As a share of Costco's \$7.3 billion in total sales, groceries declined to 33.2 per cent from the previous year's 35.6 per cent. Consumers made slightly more visits to Costco in 2000, increasing the average number by 0.2 per cent to 9.7 trips. The warehouse club store's share of total consumer spending in 2000 was 6.7 per cent, and 14.5 per cent of non-traditional sector grocery sales. Since 1994, Costco has increased its share of the grocery market from 2.7 per cent to 4.5 per cent.

Most Costco stores in Canada have meat counters with on-site butchers, full-scratch bakeries, frozen food cases, fresh produce and packaged goods. However, grocery offerings vary, as the company focuses on quality and price. Costco is in the forefront among grocery retailers in installing gas-bars at outlets across Canada, where it has more than 60 stores.

## **D) Mass Merchandisers**

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<sup>6</sup>Canadian Grocer, February 2001, Report on Convenience Stores

Mass-merchandisers boosted their share of total consumer spending to \$10.7 billion in 2000, as consumers across Canada made more visits to these stores - up .7 per cent to a total 15.5 trips – and spent more on each visit, increasing per trip spending by 6 per cent to \$41.56 in 2001<sup>7</sup>. This boosted the sub-sector's share of total grocery sales to 11.4 per cent – up 11 per cent over 1999. Nationally, household penetration of mass merchandisers stood at 92.7 per cent in 2000.

Channel leader Wal-Mart's focus on food has increased growth in this area relative to its total business. While total sales grew by 16 per cent to \$6.1 billion in 2000 from \$5.7 billion the previous year, Wal-Mart's grocery sales increased to represent 23.9 per cent (\$1.45 billion) of its business in 2000.

The company's share of grocery sales is gaining in all regions of Canada. Dollar growth was highest in British Columbia (+23 per cent), followed by Alberta (+2.1 per cent), the Maritimes (+20 per cent), Quebec (+18 per cent), Manitoba/Saskatchewan (+18 per cent) and Ontario (+14 per cent).

### **E) Organic/Natural/Health Food and Produce Stores**

Demand for organic foods in Canada is growing rapidly, paralleling that in the United States. According to Statistics Canada, organic food sales in Canada were worth \$800 million in 1999, about 2 per cent of total Canadian food sales. Most organic products sold in Canada are imported from the United States. Industry analysts put growth across the nation at about 20 per cent per year<sup>8</sup> which would give the sub-sector estimated total sales of \$1.15 billion at the close of the year 2001.

Organic markets are strongest in British Columbia, Alberta, Quebec and Ontario. According to *Canadian Grocer Magazine* (June 2001), in British Columbia, mainstream grocery stores sell 40 per cent of organic produce, health food stores 30 per cent and online grocery retailers 30 per cent. *Food in Canada Magazine* (May 1999) states that sales of organic products in British Columbia reached \$100 million in 1998. Traditionally, health food stores were the retailers of organic food. Recently, mainstream retailers began carrying organic products.

Approximately 49 per cent of organic purchases in 2000 were made in mass-market outlets, according to the Agriculture and Agri-Food Canada report on the organic markets in Canada and the US.

*Centre d'agriculture biologique du Québec* research on the organic market revealed 38 per cent of organic products grown in Quebec were sold directly to consumers. Wholesalers and brokers sold organic foods worth \$35 million, while specialty stores sold \$80 million worth.

In Ontario and Quebec, the organic market has seen steady growth over the past five years. Although Atlantic Canada, Saskatchewan and Manitoba have smaller organic markets, they have the potential for growth. Agriculture and Agri-Food Canada have not tracked the growth of the organic sector in every province.

In 2000, according to the Agriculture and Agri-Food Canada report on organic markets in Canada and the US, approximately 48 per cent of organic purchases were made in health food and other speciality stores.

### **F) Produce Stores**

No statistical data

### **G) Bakeries, Butcher Shops, Delis and Ethnic Groceries**

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<sup>7</sup>Source: Homescan Retailer Channel Watch: 52 weeks to March 17, 2001; National

<sup>8</sup>Canadian Grocer, June 2000: "June 2000 – Produce Pizzazz"

No statistical data

## H) On-Line Grocery Retailers

Canada's Internet grocery sales in 2000 tallied \$25 million – far short of the \$65 million predicted by the authors of *The Green Mile Report*, published by National Bank Financial, in March 2000. Many on-line grocers have either consolidated or gone out of business.

Grocery Gateway, with its bricks-and-mortar traditional sector partner, Toronto-based Longo Brothers Fruit Market, serves the Greater Toronto Area from Burlington to Whitby, and the Kitchener-Waterloo area, is the channel leader with sales of \$8 million, followed by Vancouver organic stores with a combined \$8 million, and Peachtree.com Affiliates, serving the Greater Montreal market, with \$3 million. Peachtree.com recently filed for protection from creditors under Canada's Bankruptcy Protection Act. TeleGrocer of Ottawa which relies on partnerships with local grocers, has announced plans to expand its business with franchises throughout Ontario.

In contrast to the United States, where most online grocers are failing, dormant, dead or bankrupt, the Canadian e-grocery landscape is relatively healthy. Grocery Gateway reported in May 2001 that it is breaking even on its deliveries and close to turning a profit.

Organic online retailers continue to be successful despite the downfall of many dot.com companies. They are perceived to provide quality fresh produce and other organic products. Consumer concerns about freshness and quality of produce are seen as the principal barrier to their acceptance of online grocery service.

Predictions of online services' share of the grocery retail market have ranged from a potential of 30 per cent down to what may be closer to reality: 1 per cent

## Demographics of the Canadian Consumer

### a) Overall Quality of Life

The United Nations Quality of Life index, which measures health, education and wealth factors in 174 countries rated Canada #1 for six consecutive years. Even after the index itself was changed, Canada continued to rank in the top three best countries to live.

### b) Population

In July 2001, there were 31,081,900<sup>9</sup> people living in Canada – up 1.08 per cent since the end of 2000. Ontario (11.6 million), Quebec (7.3 million) and British Columbia (4 million) were Canada's most populous provinces. The country's population density is concentrated along the 49<sup>th</sup> parallel.

### c) Education

Canadians tend to be well educated. Almost 23 per cent of the population over age 15 years has attended university<sup>10</sup>. Three out of five of these people completed university and have a degree. Another 19 per cent have a post-secondary, non-university certificate or diploma and 25 per cent completed high school and/or hold a trades certificate or diploma.

### d) Aging population

Canada is becoming a nation of older people. In 2000, 13.4 per cent of Canadians were aged 65 years or

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<sup>9</sup>Statistics Canada, Income Statistics Division: Average earnings by sex and work pattern, all earners: [www.statcan.ca/english/Pgdb/People/Labour/labour01a.htm](http://www.statcan.ca/english/Pgdb/People/Labour/labour01a.htm)

<sup>10</sup>Statistics Canada, Canadian Statistics: Population 15 years and over by highest level of schooling, 1996. <http://www.statcan.ca/english/Pgdb/People/Education/educ43a.htm>

older<sup>11</sup>. According to ACNielsen, StatsCan 1999<sup>12</sup>, population growth in Canada was greatest in the ages 45 to 64 and 75+ brackets.

As Canadian "Boomers" (people born during the Baby Boom years of 1947 to 1966) age, they are becoming more concerned with healthy eating and lifestyles. A generation of unprecedented affluence, they are able and willing to pay more for convenience and services such as value-added meals in order to relieve the time pressures they work under, simplify their lives and engage in pursuits other than meal preparation. They are also well-travelled and appreciate foods from many countries.

#### f) Languages

The official languages of Canada are English and French which, respectively, are the home languages of 19 million and 6.3 million people. Chinese, Italian, Punjabi, Spanish, Polish, Portuguese, and German are the leading non-official home languages spoken in Canada<sup>13</sup>.

In Toronto, English is the home language of 3,077,405 people, followed by Chinese (243,845), Italian (96,010), Portuguese (68,420), Polish (52,525), Punjabi (51,285), Spanish (50,435) and Tamil (46,005).

#### f) Immigration trends

Fourteen per cent of the Canadian population is comprised of visible minorities, with the largest groups being of Chinese and South Asian origin or descent. These communities have created a new appreciation in Canada for stronger flavours, fresher ingredients, spicier foods and new taste combinations.

Statistics Canada reported in 1999 that 57.9 per cent of immigrants were from Asia, 21.9 per cent from Europe, 10.9 per cent from the Americas and 8.3 per cent from Africa.<sup>14</sup>

#### g) Female participation in the workplace

Although female participation in the Canadian workplace has increased steadily, women still do most of the food preparation at home. In 2000, for example, 84 per cent of evening meals that were prepared and consumed in the home were planned by the female head of household.<sup>15</sup> The time pressures associated with dual careers and single parent families make alternatives to traditional meal preparation very appealing.

#### h) Economic Prosperity

Economic growth and rising disposable income has made Canadians more confident about spending for products and services that make their lives easier. The food trends that owe their roots, in part, to these demographic and economic factors include the trends toward freshness and authenticity, gourmet/quality, and new food sources and schedules. The desire for healthier eating permeates all of these trends.

#### i) Income

Over the period 1990 to 2000, the average weekly earnings of Canadians rose from \$512.79 to \$626.45 - an increase of 22.2per cent. In 2000, average weekly earnings were highest in Ontario (\$669), followed by Alberta (\$643), British Columbia (\$637) and Quebec (\$585). In 1999, women in the workforce earned an average \$22,535 and men an average \$35,169.

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<sup>11</sup>2000 State of the Industry Report, Canadian Association of Chain Drug Stores.

<sup>12</sup>Canadian Grocer, 2001-2002 Executive Report, page 11

<sup>13</sup>Statistics Canada, Canadian Statistics: Population by home language, 1996 Census (<http://statcan.ca/english/Pgdb/People/Population/demo29a.htm>)

<sup>14</sup>StatsCan 1999, demo08.htm

<sup>15</sup>NPD Group, NET Canada Nutrition Survey 2000

This gain in earnings notwithstanding, Canadians spent less on food purchases in 2000 than in 1991. Of their total spending on consumer goods and services in 2000, only 9.23 per cent was on food compared with 10.5 per cent in 1991.

#### j) Religion

Four out of every five Canadians (81 per cent) are Christian. Slightly more than one per cent (1.17 per cent) are Jewish, while 0.9 per cent are adherents of Islam, and 0.6 per cent are Hindu. Each of the latter three faiths has dietary laws concerning foods that may not be eaten and the manner in which certain foods must be slaughtered, prepared and served.

#### k) Ethnic origins

Almost two thirds (64.1 per cent) of people living in Canada are of a single ethnic origin, the greatest number being of British origin (17.8 per cent), followed by French (14.6 per cent), other European (20.4 per cent), and Asian (10.7per cent) origins<sup>7</sup>. Those of multiple ethnic origins tend to be primarily of British and French extraction.

More than 69 per cent of people living in the Toronto metropolitan area claim to be of a single ethnic origin, predominantly Southern European (20.6 per cent), East and Southeast Asian (16.5 per cent), British (15.5 per cent), South Asian (10.0 per cent, and Eastern European (6.4 per cent).

In Montreal, the predominant ethnic origins of the population are French (29.1 per cent) , Southern European (9.8 per cent), British (3.7 per cent), East and Southeast Asian (3.6 per cent), Caribbean (3.1 per cent) and Arab (2.7%).

Vancouver's population is predominantly of British (38.8per cent), South/South East/ East Asian origin (25.4 per cent), followed by European (12.7 per cent), and French (7.4%)

The influence of South and Southeast Asian ethnic communities has had a powerful impact on the food preferences of people living in the major metropolitan areas of Canada.

## Canada's Major markets

**Canada's major markets: Population**  
(Thousands)

Metropolitan Area	1997	1998	1999	2000	2001
Toronto (Ontario)	4,499.0	4,586.7	4,669.3	4,763.2	4,881.4
Montreal (Quebec)	3,408.9	3,423.9	3,447.6	3,474.9	3,511.8
Vancouver (British Columbia)	1,967.6	1,998.4	2,028.4	2,058.7	2,094.1
Ottawa-Hull (Ontario-Quebec)	1,045.5	1,055.6	1,068.6	1,086.1	1,106.9
Calgary (Alberta)	873.2	903.0	926.1	947.3	971.5
Edmonton (Alberta)	897.3	914.3	928.1	941.8	956.8
Quebec (Quebec)	685.4	686.6	688.4	690.5	693.1
Winnipeg (Manitoba)	677.8	677.8	679.7	682.1	684.8
Hamilton (Ontario)	650.4	657.8	664.7	672.2	680.6

<sup>7</sup>Statistics Canada, Canadian Statistics: Population by ethnic origin, 1996 Census, census metropolitan areas

London (Ontario)	413.1	415.9	418.5	422.1	426.3
St. Catharines-Niagara (Ontario)	385.5	387.5	388.8	390.9	393.1
Kitchener (Ontario)	402.1	408.5	415.5	423.2	431.7
Halifax (Nova Scotia)	345.3	348.9	352.8	355.9	359.2
Victoria (British Columbia)	317.6	316.8	317.0	317.1	317.8
Regina (Saskatchewan)	199.1	199.2	199.8	199.3	198.1

Source: Statistics Canada, CANSIM II, table 051-0014 and Catalogue no 91-213-XIB

## Advantages and Challenges Facing U.S. Products Entering Canada

Advantages	Challenges
The Canadian dollar trades at a substantial discount to the U.S. dollar. Thus Canada's economic environment presents U.S. companies an excellent financial advantage when processing food in Canada	The strength of the American dollar may inhibit the sale of some primary foods or value-added products from the U.S.
The non-traditional retail grocery sector is a relatively new distribution channel for meal solutions and is growing rapidly	Canadian tariff rate quotas and product trade restrictions may inhibit exports to Canada.
Canada's non-traditional channels are less fragmented than in the U.S. Consolidation in some segments means more stores can be "sold" through fewer procurement calls.	Although procurement functions of major banners are centralized, they focus on regional market needs and trends
North/south shipping corridors present an excellent advantage vs offshore competitors.	Owing to their European heritage, some Canadians perceive European quality as paramount.
Major players in /Canada's non-traditional retail grocery sector are leaders in their channels and expanding exporting their expertise to the United States.	Canada maintains a quota system on some products, like dairy, eggs and poultry and Canada's domestic producers are the primary source of produce for the food processing industry in Canada
The Canadian growing season is limited and the non-traditional grocery retailing sector is an important outlet for agricultural producers in the U.S.	Canada has abundant agricultural resources. This may present a conflict for the importation of produce during seasons of peak domestic availability.
CUSTA, NAFTA AND GATT facilitate smooth entry for exporters to Canada.	Regulations concerning specific primary or processed products inhibit entry into Canada.
A 1997 Global Competitiveness Survey conducted by KPMG ranks Canada as 4 <sup>th</sup> most competitive economy in the world after Singapore, Hong Kong and the U.S.	For products imported into Canada, competition will be fierce, as domestic suppliers provide better costing for primary and value-added products.

Advantages	Challenges
Consolidation has fashioned larger players, which means higher volume opportunities.	Fewer players means more competition and fewer opportunities.
The United States is Canada's largest trading partner and many Canadian food manufacturers are wholly or partly owned by U.S. multi-national enterprises.	The Canadian Agricultural Marketing Council intends to increase trade with foreign countries other than the United States.

## Industry Value and 5-year Growth by sub-sectors

The non-traditional sector had total grocery sales of \$17.6 billion in the year 2000. Using the projected growth rate of 2.9 per cent indicated by industry analysts, total sales for the sector for 2001 are estimated at \$18.1 billion.

### 5-year Growth Record of Non-Traditional Retail Grocery Channels (Estimated Retail Grocery Sales in \$ billions)

Channel	1996	1997	1998	1999	2000
Mass merchandisers	3.6	3.8	4.1	4.2	4.3
Warehouse club stores	5	5.2	5.7	6.4	6.3
Major banner convenience stores	3.2	3.29	3.36	3.48	3.6
Drug Stores	0.3	0.33	0.35	0.29	0.25
Organic, Natural Health Stores	0.5	0.7	0.84	1	1.2
Online Grocers	0	0	0.007	0.015	0.025
Other stores*	4.4	3.74	3.013	2.1	1.9
Total Non Traditional Sales	17	17.06	17.37	17.48	17.6

\*Department stores, bakeries, butcher shops, delicatessen

## Projected Estimates of Future Growth Rates in Non Traditional Channels \*

(Percentage increase/decrease in year-to-year growth)

Channel	2001	2002	2003
Mass merchandisers	6.1	6.2	6.4
Warehouse club stores	6.3	6.4	6.5
Major banner convenience stores	3.7	4	3.9
Drug Stores	-0.1	1	1.25
Organic, natural health stores	20	20	20
Online	10	15	18
Other stores	-10	-8	-3

\* Based on estimates of industry analysts and past growth increase/decrease trajectories

## Regional Market Comparisons

### Non-traditional sector share of market\* by region of Canada

Region	Total non-traditional grocery sales \$ value	Share of non-traditional grocery market %
Ontario	3141525024	17.6
Western Canada	1716564681	15.7
Québec	2016644700	14
Maritimes	483937204	9.2

\* Source: Canadian Grocer, January/February 2001

### Regional comparison: Western vs Central Canada

Market opportunities in Western and Central Canada are similar, but with different geographic emphasis. The following chart demonstrates the regional growth trends:

### Western vs Central Regional Annual All-Commodity Dollar Sales Growth

Provincial Regions	1999	2000
<b>Central</b>		
Quebec	6%	2%
Ontario	7%	7%
<b>Western</b>		
Manitoba/Saskatchewan	3%	1%
Alberta	3%	7%
British Columbia	1%	7%

Source: ACNielsen Market Track, Total Grocery, 52 weeks ending December 30, 2000

## Western vs Central Canada Regional Market Variations

Western Canada	Central Canada
Population: 8.4 million	Population: 17.7 million
Major urban populations: 5,453,600	Major urban populations: 12,744,000
Major urban centres: Vancouver, Calgary, Edmonton, Winnipeg, Victoria, Saskatoon, Regina	Major urban centres: Toronto, Montreal, Ottawa-Hull, Quebec, Hamilton, London, Kitchener, St. Catharines-Niagara, Windsor
10.3 per cent of income spent in food stores <sup>8</sup>	8.9 per cent of income spent in food stores
Food store purchases averaged \$2,025 in 2000: 9.9 per cent above national (\$1,842) <sup>9</sup>	Food store purchases averaged \$1,762 in 2000 – 4 per cent below national average
Organic food consumption/retailing in BC is most developed in Canada; underdeveloped in Prairie provinces	Organic food consumption/retailing well- developed in major urban markets along Quebec City to Windsor, ON corridor
Organic food certification in BC only	Organic food certification in Quebec only
Business language: English	Business languages: French in Quebec, French and English in Ottawa and Sudbury, Ontario; English west of Ottawa
Predominant ethnic origins are British, Ukrainian, Asian	Major urban centres are highly cosmopolitan
New convenience store concepts offering in-store food service, HMRs, etc., better developed	New convenience store concepts being introduced gradually

*Note: Western Canada comprises Manitoba, Saskatchewan, Alberta, British Columbia; Central Canada comprises Québec and Ontario*

## Opportunities

### a) Meal solutions

Home meal replacements (HMRs) are the largest single development in the grocery industry in years, say industry analysts. The trend's impact on the non-traditional sector, a newcomer to the category, is even greater – and growing rapidly as consumers opt for the convenience of not having to prepare a home meal from scratch. Sixty per cent of non-traditional retail grocery outlets in Canada now offer home meal replacements.

In Canada, HMR sales by all retail grocers are expected to grow to about \$2 billion by 2005.<sup>10</sup> Sales in just 10 categories of single-serve products tracked by ACNielsen in 2000 totalled more than \$628 million, up 6 per cent from 1999 and up double digits from the year before.<sup>11</sup> It is important to note that those 10 categories did not include any dairy categories, where single-serve yogurt, cheese sticks and milk are big business, nor did they include any single-serve items prepared by supermarkets, which are growing meal

<sup>8</sup> *Canadian Grocer, January/February 2001: "Growing, growing ...", by Julia Drake*

<sup>9</sup> *Ibid*

<sup>10</sup> *Canadian Grocer, "Ready, Set, Eat", by Sonya Felix*

<sup>11</sup> *Canadian Grocer, "Table for one"*

solution sales just as fast.

Of every dollar spent on food in Canada, 40.6 cents goes to foodservice with the balance going to food from grocery stores, reports the CFRA. In the US, 45.3 cents of every dollar goes to foodservice.

The whole point of providing convenient meal solutions in the first place is to lure customers who might have grabbed foodservice takeout on the way home from work back into the grocery store. And the surface of the potential market for HMRs has scarcely been scratched, claims a Toronto-based HMR producer.

As awareness of the growth potential in foodservice increases among grocery retailers, an increasing number of convenience stores, mass merchandisers, and club warehouse stores are providing in-store foodservice with table seating, often in partnerships with franchisers such as Pizza Pizza, A.L. Van Houtte Coffee, McDonald's and SubWay sandwich shops. This is, at this stage, a trend within the major meal solution trend.

In Canada, three key trends in the home meal replacement category are rapidly gaining momentum and offer important opportunities for U.S. food producers and processors:

- **Comfort food main meal solutions.** Demand for pre-cooked suppers like the ones mother used to make – for example, shepherd's pie, meat loaf, meat pies, mashed potatoes, apple pie and bread pudding – is in a dramatic upswing as cocooning spins new bonds in the nuclear family.
- **One-hand meals.** Ideal for the accelerating "dashboard dining" habit of a nation of commuters on the run, meals that can be easily and safely consumed in one hand, with the other on the steering wheel, are in growing demand. Muffins, *biscotti*, filled English muffins, and bagels are best-sellers for one-hand breakfast. Wraps, soft enchiladas, and mufaleta - thinly-sliced specialty breads with multi-layer fillings of vegetables, cold meats and/or cheese top lunch-on-the-run menus. Of those who purchase breakfast away from home, almost one-third eat it in their cars.

**Fourth "dayparts"** are meal replacement snacks, most often calcium fortified and protein enriched, which constitute the fourth meal of the day. They provide a small meal replacement for the time-pressed and, according to The Food Channel Trend Wire<sup>12</sup>, their moment of consumption is entirely flexible. Their nutrient profiles are similar to or the same as sports/energy bars. Examples are Adams calcium-enriched BodySmarts line of "good-for-you" snack bars from Pfizer. Kraft and Hershey have similar products. BodySmarts' packaging carries a drug identification number and a list of medicinal ingredients that enable it to make nutrition claims.

Reality is that Canadians often eat alone and on the run. Across all age groups, about 56 per cent of the population consists of one or two-person households. And consumers are buying single serve foods in ever increasing numbers.<sup>13</sup>

Deli departments at Longo Brothers Fruit Market in Toronto have de-listed larger portions of ready-to-eat meals in order to make room for more single serve meals. Customers often buy five or six single-serve meals at a time, indicating they're buying a week's worth of meals.

Weston Bakeries recently launched Country Harvest Better Half, a single loaf of bread split evenly between two types of bread, including white bread and seven grain whole wheat, or white and flaxseed, that is aimed at the one or two person household. The product can be opened at both ends, one end with a typical plastic bread tab, the other is a zip-lock.

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<sup>12</sup>Food Channel Trend Wire, Volume 13, Number 22, May 28, 2001

<sup>13</sup>Canadian Grocer, April 25, 2001: Table for One, Please", by George H. Condon

FMI identifies three meal solution concepts that offer alternatives for both retailers and consumers: ready-to-heat (chilled and frozen), ready-to-prepare (meal ingredients); and ready-to-create (education and awareness of cooking).

Frozen meals are not new to consumers, but the selection is increasing steadily.

Newer to the market are fresh chilled meals, either cooked or packaged in-store. These present their own challenges because of their short shelf life. Toronto-based Tiffany Gate Fine Foods sells its line of 490 different fresh chilled meals – everything from salads to entrees - across North America in both bulk and individual servings using a proprietary technology that extends shelf life up to two weeks, but preserves fresh flavours.

44<sup>th</sup> Street, a division of Retail Food Brands Inc. of Mississauga, Ontario, offers a different take on fresh chilled products with its line of fresh, fully cooked meats sealed in a pouch with its own tray. The meat comes in random weight sizes and is ready for the table after 10 minutes in the microwave. It can also be heated in the oven. 44<sup>th</sup> Street's consumer ranges from young singles to seniors.

Regardless of the meal concept, consumers are looking for meal ideas that are not only convenient but also tasty and nutritious. Convincing them that the latest generation of frozen products actually tastes good is crucial, says an industry spokesman: "These products are promoted as alternatives to restaurant or home-cooked meals. People need to know how good they are."

Canadians believe they eat nutritious meals and claim nutrition is the second most important factor, after taste, when deciding which food to purchase, according to a 2000 Angus Reid Group survey sponsored by Borden Foods Canada.

Despite the healthy jump in portable foods, research by NPD Group Canada Inc., shows that Canadians still eat most of their meals at home. According to the *Eating Patterns in Canada Report*, NPD's study of breakfast, lunch, dinner and snack consumption, released in March 2000, 73 per cent of meal occasions are within the home; 14 per cent are away from home; 6 per cent are carried from home (such as brown bag lunches); and 7 per cent are skipped.

Sixty per cent of Canadians said they faced daily dinnertime dilemmas when feeding family members with conflicting schedules and kids who are fussy eaters. More than half of Canadians reported find preparing meals at home "stressful".

Recent research from Kraft Canada reveals Canadian mothers – who make 88 per cent of dinner decisions – want ideas for making meals with few ingredients in less than 30 minutes. The company's Multifacts Omnibus Study 2000 shows that 90 per cent of Canadian grocery shoppers said being able to use a few staples to make five or six different meals would help them simplify dinner preparation.

Canadians continue to enjoy diverse international cuisines, says a food industry consultant. These include, in particular, Indian, Thai and Korean food. While Latin American foods are increasing in popularity in the U.S., Canadians are slowly developing a taste for paella and empanadas. Generally, aging palates are warming to spicier dishes.

Leading HMRs in growth in 2000 were frozen and refrigerated pizza, French bread and subs, up 41 per cent year-to-year in dollar sales and 34 per cent in physical volume.

Opportunities also exist in the prepared meal ingredients category, where prepackaged bagged salads(+22 per cent/21 per cent), broad-leaf vegetables (+26 per cent/18 per cent), and instant potatoes (+16 per cent/18 per cent) made strong gains in dollar sales and physical volume, respectively.

With plenty of room for growth in the meal solutions category this is the prime area of opportunity. The best prospects for growth appear to be in one- and two-person serving home meal replacements with a superior taste/high nutrition/lower fat profile.

### **b) Organic foods**

Most organic foods sold in Canada are imported from the United States. Almost all organic fresh produce is imported from the US. Among the most popular items are bagged organic salads and greens, apples, bananas, oranges, broccoli and romaine lettuce. Specialty produce, such as cherry tomatoes is also in demand. It is expected that, as competition among grocery retailers increases, so too will demand for specialty and exotic organic produce. Other fast-growing segments are organic baby formula, toddler foods, cereals, soy and rice beverages, organic baked goods and yeast-free breads, and banking ingredients such as dried grapes, berries, raisins, cranberries, and nuts.<sup>14</sup> Organic retail sales growth in Canada is expected to continue averaging 20 per cent annually, rising to \$3.1 billion by 2005. The industry's market share is predicted to increase from one per cent to 10 per cent of the Canadian retail grocery market by 2010.

### **c) Functional foods and beverages**

Canadian consumers' heightened interest in personal health issues has transformed just about every category in the grocery store. Shelves are full of products with labels touting a variety of health-positive qualities: low in fat, high in fibre, all natural, no or low cholesterol, a good source of vitamins or fibre, and so on. There is more to come as a deluge of so-called "functional foods" hits the market. In the U.S., where the FDA allows food manufacturers to make some health claims, functional foods are one of the fastest-growing segments in grocery stores. In Canada, federal regulations don't as yet allow health claims on food, but legislation on allowable nutrition labeling and health claims is being drafted.

One route some functional food companies have taken is to have their products classified as drugs, even though this restricts advertising and disallows sampling.

Fastest growing products in the category are: herb-enhanced fruit drinks, ready-to-drink teas, sports and energy drinks and single-serve fresh juices. In 2000, the US functional beverage market generated revenues of \$4.7 billion, reports California-based Frost & Sullivan, who project \$12 billion in sales by 2007<sup>15</sup>. If this trend follows the path northward of virtually all other food and beverage trends, functional beverage sales in Canada will top \$1.2 billion five years hence. These are early days in the Canadian functional beverage market and opportunities abound.

### **d) RTD beverages**

Purchase of ready-to-drink beverages is largely impulse-generated, hence their success in convenience store and gas-bar channels, notes Canadian Grocer magazine<sup>16</sup>.

Iced teas, milk and milkshakes, fruit and vegetable juices showed strong growth in 2000 with major gains made by fruit-, tea- and sparkling water-based products such as Snapple, AriZona Iced Tea and Koala Coolers, reports the ACNielsen 2000 Beverage Study (rolling 52 weeks to September 9, 2000). These are displacing tap water as the beverages favoured by Canadians, says a Pepsi-Cola Canada spokesperson in Mississauga, Ontario.

RTD beverages making their debut in 2001 in the milk-based category were liquid chocolate bars with familiar names such as Neilson Jersey Milk, Nestle Aero, Butterfinger, and Hershey milkshakes. Natrel

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<sup>14</sup> *Food in Canada Magazine, Spetember 1999: "Growing Bigger Markets", by Sandra Eagle*

<sup>15</sup> *Food Institute Report, March 12, 2001, pp. 3, 5*

<sup>16</sup> *Canadian Grocer, April 25, 2001: "Liquid Gold", by Anita Castaldi*

launched "Moostache" – individual milk drinks in chocolate, café au lait and vanilla flavours. A new category of beverage – cold, ready-to-drink coffees – is emerging from specialty shops such as Starbucks. Adults ages 18-29 are the fastest-growing segment of drinkers and more likely than older adults to indulge themselves.

#### **e) Interactive beverages**

What differentiates new beverages aimed at teens and tweens from their predecessors is a distinct "personality" that communicates *fun* to its target consumers, one that its consumers can relate to and call their own. Among the most successful are those with a healthful twist, a spunky image, unusual flavors, an interactive web site, cause-related messaging and the promise of fun and entertainment. Two to check out are Vancouver-based Happy Planet — [www.happyplanet.com](http://www.happyplanet.com) – and US-based Jones Soda – [www.jonessoda.com](http://www.jonessoda.com) – which invites customers to send their photos to go on labels and input on existing and new products.

Chubby, positioned as "the magic drink kids want", is the first soft drink developed for and targeted specifically to children. Portion-sized for kids' typically smaller thirst and shaped to fit a child's palm, Chubby comes in three unique flavors: Cotton Candy Cream Soda, Bubble Gum and Green Cream. A spokesperson for Toronto-based Cott Juices, says Chubby is a hit with kids up to age 15.

#### **f) Snacks**

More than 80 per cent of Canadians admit to snacking on a daily basis, according to a 1999 Angus Reid Group poll. Sixty-five percent said they prefer to snack on healthy food; 58 per cent admit to indulging in "junk food". NPD Group's Snack Track for the first half of 2000 showed that while fresh fruit is the snack consumed most often, next on the list are potato chips and cookies, followed by chocolate candy, crackers, yogurt and granola bars.

When it came to segment growth, salty snacks led the pack with some products skyrocketing to 50 per cent -plus gains in 2000 dollar sales<sup>17</sup>, signaling opportunities for new suppliers. The desire for healthier snack foods, targeted at women aged 18 to 49, and the shift from three meals a day to four smaller ones boosted rice and corn cakes by 41 per cent.

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<sup>17</sup>NPD Canada, National Eating Trends 2000 (NET Study)

**Salty Snacks Gain Share in 2000**

Segment	Sales	Gain %	Volume	Gain %
Party mixes	\$36.8 million	+58	10.1 million lbs	+51
Rice and corn cakes	\$43.9 million	+41	22.4 million units	+40
Multi/Variety packs	\$14.7 million	+51	3.4 million lbs	+40
Popped corn	\$6.1 million	+36	1.4 million lbs	+33
Shelled nuts	\$54.5 million	+15	14.9 million units	+11

**g) Soy foods**

Soy foods and beverages, named Canada's most important food trend in 2000 by *Food In Canada* magazine<sup>18</sup>, are now found in almost every grocery category – from the produce section to the dairy case and snack foods. The ultimate in functionality, soy foods are linked to all sorts of health benefits.<sup>19</sup> Opportunities exist in the meatless home meal replacement segment in particular, and in tofu, ice cream, milk, cheese, yogurt and pasta.

**h) Adult Breakfast Foods**

Breakfast is the meal Canadians most often eat at home, according to an NPD Group manager. Among Canadians who eat breakfast at home, RTE cereals have been the overwhelming category leader for decades.

*Canadian Grocer Magazine* (January 2001) reports one of the key growth areas for food retailers is organic breakfast foods. None of the leading cereal companies (Kellogg, General Mills, Post, Quaker Oats) had organic cereal offerings at the time of writing, thus there are opportunities in Canada for organic breakfast cereals. Foods containing flax, soy or whole grains have widening appeal and huge potential. Adult cereals as a segment account for about one-third of all cereal category dollar sales.

**i) Hemp Foods**

Hemp is rapidly gaining in popularity and demand, according to natural and health food store operators. Hemp-based food and drink products hit stores in Canada about a year ago. Hemp production is costly, which means the finished product is often pricey but, as supply increases, costs all around should start coming down. In the meantime, it is very much a niche market. High prices notwithstanding, health food stores, the primary hemp retail outlets, say they can't keep up with demand.

Ruth's Hemp Foods of Toronto produces and markets hemp-corn tortilla chips, hemp/flax oil and three flavours of salad dressing (Balsamic Hemp, Far East Hemp and Hemp 'n Honey Mustard). In addition, there are types of pasta (with and without wheat), whole wheat wraps, pat , humus and ice cream. The natural food manager for a major supermarket chain says grocery retailers should take hemp seriously, because of its high nutritional value and a superb nutty taste. But to move product consistently will take a lot of education for both retailers and consumers.<sup>20</sup>

**j) Confectionery**

Chocolate-covered pretzels and caramel corn (up 26 per cent) and boxed chocolates (up 24 per cent) are

<sup>18</sup>*Food In Canada, December 2001*

<sup>19</sup>*Canadian Grocer, May 1, 2001: "Functional Frenzy", by Sonya Felix*

<sup>20</sup>*Canadian Grocer, March 2000: "For Hemp lovers, health is the ultimate high", by Jack Kohane*

rapidly gaining favour with sweet-toothed Canadians. King-size market is reported to be on the upswing.<sup>21</sup> From children, demand for innovative, interactive novelty candy products with intense flavours and the promise of fun is strong. These products, with their higher price point, are ideal for convenience stores.

#### ***k) Fresh-cut Flowers***

Canadians spend approximately \$4 billion a year on flowers – only 25% of the amount Europeans spend, according to Flowers Canada, the association of the Canadian floriculture industry. But Canadians' are spending 8 per cent to 10 per cent more each year – and, for convenience, they are buying their cut-flowers where they buy their food, reported Statistics Canada's *Quarterly Retail Commodity Survey* for the third quarter of 2000. The typical fresh-cut flower buyer is female, age 25 to 45 and 73% of the flowers they buy are fresh-cut.

#### ***l) Franchise partnering***

Franchise partnering in the non traditional sector is most developed in the major banner convenience channel. Couche-Tard, for example, has c-stores at Irving Oil in the Maritime provinces and at Shell gas bars west of New Brunswick. It also partners with premium quality coffee-service provider A.L. Van Houtte, Subway sandwiches, Pizza Pizza, and M&M Meat Shops. The 40-store Quickie Convenience chain in western Quebec/eastern Ontario has strategic alliances with McDonald's, A&W, and Burger King.

Mass merchandisers are teaming up with oil companies as they set up gas bars in parking lots. Warehouse club Costco and American Express have a co-branded credit card. Opportunities for franchise partnering are increasing as the blurring of demarcation lines between channels and competition for the convenience dollar intensifies.

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<sup>21</sup>Canadian Grocer, May 2000

## Best Product Prospects

### Trend Products with Best Prospects Priority, Category, Profile Summary and Market Description and Change

Rank	Product Prospect	Category	Profile	Market description/change
1	Home meal replacements -frozen -dry	FF G	-superior taste -high nutrition -lower fat -single and 2-person servings -5 or fewer ingredients -max. 30 minutes preparation time - growth in 1 + 2 person servings -32% of weekday dinners and -25% of weekend dinners in-home	2000 sales: Pizza, French bread, subs +41%; bagged salads +22%; broad leaf veg +26%; instant potatoes +16%
2	Organic foods, beverages -fresh produce  -RTD fresh fruit, soy rice beverages -meal solutions  snack foods	FP G FF G	-year-round demand -most popular: bagged salads, greens; romaine lettuce, broccoli; apples, bananas, oranges -fresh fruit, soy, rice  -profile as for HMR above -adult breakfast cereals -chips, crackers	- mainstream availability, acceptance -2000 sales +20% -"safe" food sought by consumers afraid of GMOs, chemical fertilizers, pesticides BC, Ontario Quebec best developed markets
3	Bottled water	G	-wide SKU offering essential -users educated, health conscious, diverse tastes, especially women	- +32% growth in litre-size; +21% overall -Volume +46% -competitive market, multiple brands -Evian/Volvic dominate premium imported segment
4	RTD -fruit juices  -iced-tea iced tea based  -herb-infused beverages	G	-chilled fresh fruit/fruit vegetable juices, sparkling water-base, health benefit promise natural/ organic -chilled, shelf-stable flavored iced-teas, iced-tea-fruit juice blends -favored flavors: ginseng, echinacea	-2000 sales+ 32% -2000 \$ sales +40% -2000 volume sales+46%
5	Salty snacks -party mixes -rice and corn chips -multi/variety packs	G	-cheese, jalapeno, BBQ, onion -shelled nuts, nuts & bolts, crackers	-2000 \$ sales: +58% +41% +51%
6	Soy foods and beverages	FP, FF, G	-meatless HMR -RTD fruit flavoured drinks -snack foods -no health claims in Canada	-Wide awareness of health benefits winning converts on Main Street -soy products in almost every category now

Rank	Product Prospect	Cat e-gory	Profile	Market description/change
7	Functional foods, beverages -enriched fruit juices -energy bars, snacks	Da G	-nutrient enhanced, health benefit, energizing -calcium fortified, protein enriched -portable for eating on-the-run -one-hand for dashboard dining	2000 sales+32% for energy bars and drinks Underdeveloped market. Health claims require DIN
8	Interactive personality beverages	G	-promise fun, entertainment -chilled, nutritious, healthful twist -organic/natural -unusual flavours -tween/teen cause-related -fresh fruit juices, fruit juice blends, fruit smoothies -personalized labels -input into new/existing products	- No sales data, but tweens and teens with cash in their jeans pay up to \$3/250-ml for this healthy fun of these drinks -market under-developed. Projected 2006 sales: \$1.2 billion
9	Fresh cut flowers	FP	- all varieties in demand -fresh-cut outsell flowering plants four to one	-2000 sales +10% for cut flowers -25% of flowers bought where food is purchased - trained staff, better preservation, European influence driving sales
10	Interactive novelty foods -candies  -boxed chocolates -chocolate-covered pretzels, caramel corn -cookies	G	-intense flavours -promise fun innovation essential -interactive with birthday, game books -high impulse buy, ideal for c-stores  -king size trending up -cross-merchandising opportunities -promise fun, entertainment -package with tube icing, decorations	- trend is to packaged confectioneries, but kids still prefer to pick their own candies
11	Hot teas -herbal  -green	G	-health benefits seen in ginseng, echinacea infusions -seen as digestive aid	2000 sales (millions): -specialty: \$55.7 -herbal: \$28.0 - flavoured/decaf \$20.0 -green \$7.7
12	Hemp foods, beverages -ice cream -pasta, wheat wraps -paté, hummus -salad dressings	FF G De G	-high nutritional value -high in fibre -hemp is ingredient increasing supplies driving down high prices -niche market - retailer/consumer education vital	-Canadian Grocer Magazine reports hemp foods and beverages as important trend gaining momentum -statistics N/A

\*Da=Dairy; De=Deli; FF=Frozen Foods; FP=Fresh Produce; G=Grocery

**Products present in the Market for Which There is Good Potential  
Fastest-Growing Food Categories in Grocery Stores 2000**

<b>**Dollar Sales (000s)</b>	<b>Annual Growth</b>	<b>Annual \$ Sales</b>
Beef Jerky	140%	15,335
Frozen Bread Dough	57%	14,377
Refrigerated Entrees	44%	17,569
Soya Drinks*	43%	44,647
Frozen & Refrigerated Pizza	41%	196,946
Liquid Coffee Creamers	33%	20,089
Prepackaged Value-Added Vegetables	26%	31,684
Single-Serve Fruit & Applesauce	23%	75,732
Boxed Chocolates/Packaged Confections	23%	55,332
Prepackaged Bagged Salad	22%	123,560
Children's Candy Confections*	21%	50,940
Sausages - Frozen & Refrigerated	20%	70,947
Shelled Nuts	20%	62,201
* Excludes Direct-to-Store Shipments		
** Based on Categories > \$10 million in sales		

Sources: ACNielsen, MarketTrack, 52 weeks ending December 30, 2000, Total Grocery Canadian Grocer, Executive Report 2001-2002

**Top 20 Categories  
Total Grocery Dollars (000,000's)**

<b>Rank</b>	<b>Product</b>	<b>Dollar Volume</b>
1	Milk*	\$1501
2	Flavored Soft Drinks	1,433
3	Frozen Dinners/Entrees/Meat Pies/Egg Rolls	923
4	Prepackaged Bread*	768
5	R T E Cereals	740
6	Shelf Stable Juices/Drink/Nectars/Ice Tea (excl. Cans)	726
7	Snack Foods*	651
8	Cookies/Grahams	548

Rank	Product	Dollar Volume
9	Chilled Juices/Drink/Nectars/Ice Tea (excl. Cans)	511
10	Refrigerated Yogurt	486
11	Prepackaged Cheddar Cheese	446
12	Canned Soup	407
13	Ice Cream & Related Products	382
14	Eggs*	380
15	Prepackaged Specialty Cheese	374
16	Bathroom Tissue	371
17	Prepackaged Fresh Baked Desserts	362
18	Laundry Detergents	359
19	Prepackaged Rolls*	320
20	Butter/Dairy Spreads/Blends	308
* Excludes Direct-To-Store Shipments		

Sources: ACNielsen, MarketTrack, 52 Weeks Ending December 30, 2000;  
2000 CRFA Report, published June 2000:

#### Gainers and Losers: Percentage Growth/Decline in 2000

Ups Annual Growth		Downs Annual Growth	
Soya Drinks*	71%	Canned Meat Spreads	-9%
Candies	63%	Household Bleaches	-7%
Rice & Corn Cakes	53%	Roast & Ground Coffee	-6%
Ready-to-Drink Iced Tea Cans	40%	White Sugar	-6%
Medical Nutritional Supplements	36%	Powdered Breakfast Fruit Drinks	-6%
Lunch Kits	31%	Soluble Coffee	-5%
Hair Colour	31%	Cake Mixes	-5%
Liquid Coffee Creamers	31%	Paper napkins	-5%
Herbal Remedies	30%	Malt Beverages	-5%
Instant Potatoes	26%	Processed Cheese Loaf	-5%
Refrigerated Dough	24%	(Based on Categories > \$10 million in sales)	
Low Alcohol Wine Coolers & Cider	24%		
Single-Serve Fruit & Apple Sauce	23%		

Ups Annual Growth		Downs Annual Growth	
Children's Candy Confections*	23%		
Boxed Chocolates*	22%		
* Excludes Direct-to-Store Shipments (Based on Categories > \$10 million in sales)			

Source: ACNielsen, MarketTrack and FCPMC, 52 Weeks Ending January 1, 2000, Total Grocery

## Changes and trends over the past 5 years:

### **a) In the consumer market**

- < Since the 1990-1995 recession, rising employment, 20 per cent income growth.
- < From 1995 to 2000, dot.com-driven affluence
- < Redefinition of "convenience" in food purchases from that of last resort to first-line alternative to in-home prepared.
- < In 1997, the first wave of baby boomers (1947-66) turned 50. Compared with earlier generations, they:
  - < have more disposable income
  - < are better educated
  - < are time pressed
  - < are widely travelled
  - < like gourmet foods
  - < want to stay healthy
  - < want to have fun
  - < want convenience, quality and service and will pay for it
  - < are inheriting more
- < Among the general population, greater awareness of nutrition, exercise, healthy eating and lifestyles
- < Contradiction in boomer attitudes: no time, save time, spend time
- < Organics and soy move to main street
- < Concerns about food/water safety arising from e-coli, BSE, GMOs
- < Increasing popularity of Asian cuisines, which are perceived as healthy
- < More gas stations at grocery retailers, more convenience stores at gas bars and more drive-through convenience windows everywhere.
- < Consolidation in the major banner convenience and drug channels; take-overs, mergers alliances, and failures in the on-line channel.
- < Dashboard dining
- < Private labels turn the tables on national brands in every retail grocery channel.

**b) In non-traditional retail grocery channels****i) Drug Stores with groceries**

- < After years of strong growth in grocery aisles, sales declined over the past two years.
- < Consolidation in the channel is creating fewer, bigger players. Example: Sobey's bought Oshawa Group, sold PharmaPlus to Katz Group of Edmonton, which recently acquired Drug Trading Company and now operates more than 600 pharmacies under various banners (PharmaPrix, PharmaPlus, Guardian, Rexall).

**ii) Convenience stores**

- < Consolidation is reducing the number of major players, increasing their purchasing power
- < Major players using resources to introduce new store concepts, upgrade old stores.
- < Demise of small independent convenience and mom-and-pop stores continues.

**iii) Mass merchandisers:**

- < WalMart adds "The Pantry" convenience section with HMRS dominating.

**iv) Warehouse club stores:**

- < Strong growth in Costco grocery to 1999 contributed 35.6% of total sales. In 2000, grocery declined to 33.5% of total sales. Zellers expanding grocery category in 2001.

**iv) Organic and natural health food stores**

- < Organic foods and beverages now mainstream and offered in non-traditional channels.

**vi) On-line Grocers**

- < Ranks are thinning.
- < Channel leader Grocery Gateway is healthiest, largest with best growth potential.
- < Touted \$12 billion in total sales by 2005 unlikely.
- < On-line organic grocers appear to be doing well, especially in British Columbia.

**Pros and Cons of Accessing National vs Regional Markets**

<b>National</b>	<b>Regional</b>
<i>Pros</i>	<i>Pros</i>
Centralized procurement means <ul style="list-style-type: none"> <li>&lt; selling a single source</li> <li>&lt; distribution from a single source</li> <li>&lt; invoicing, paid by a single source</li> <li>&lt; usually, more sophisticated operating, logistical, inventory control, category management and accounting systems</li> </ul>	Regionalised procurement means <ul style="list-style-type: none"> <li>&lt; building relationships with regional buyers</li> <li>&lt; gaining first-hand familiarity with regional needs</li> <li>&lt; opportunities to respond more quickly to regional/local needs</li> </ul>
<i>Cons</i>	<i>Cons</i>
Centralized procurement means: <ul style="list-style-type: none"> <li>&lt; purchase of products with widest (national) appeal only</li> <li>&lt; products with narrow or regional appeal still need to be sold regionally</li> <li>&lt; seller must acquire knowledge of regional/local markets for products with narrow appeal</li> </ul>	Regionalised procurement means: <ul style="list-style-type: none"> <li>&lt; more sales calls, more invoices, more receivables management</li> <li>&lt; shipping to and distribution from multiple sources</li> <li>&lt; duplication of account management for products with wide/national appeal</li> </ul>

## Competition

### 5-year \$value of imported foods vs domestic foods\*

(\$ millions)

Food product type	1996	1997	1998	1999	2000
<i>Agricultural and fishing products</i>					
<b>Imports</b>	<b>14,137.9</b>	<b>15,650.9</b>	<b>17,257.7</b>	<b>17,660.7</b>	<b>18,567.9</b>
Exports	23,167.7	24,773.9	25,035.6	25,435.3	27,366.8
<i>Fruits and vegetables</i>					
<b>Imports</b>	<b>4,012.2</b>	<b>4,354.5</b>	<b>4,715.6</b>	<b>4,931.0</b>	<b>5,119.1</b>
Exports	-	-	-	-	-
<i>Wheat</i>					
<b>Imports</b>	-4658.6	-5051.5	-3642.3	-3356.2	-3609.4
Exports					
<i>Other agricultural and fishing products</i>					
<b>Imports</b>	<b>10,125.6</b>	<b>11,296.2</b>	<b>12,541.5</b>	<b>12,729.6</b>	<b>13,448.9</b>
Exports	18,509.1	19,722.4	21,393.3	22,079.1	23,757.4
<b>Total</b>					
<b>Imports</b>	<b>28,275.7</b>	<b>31,301.4</b>	<b>34,514.8</b>	<b>35,321.3</b>	<b>37,135.9</b>
Exports	46,335.4	49,547.8	50,071.2	50,870.6	54,733.6

\* Source: Statistics Canada, Canadian Statistics International Trade: Exports of goods on a balance-of-payments basis, and Imports of goods on a balance-of-payments basis.

[www.statcan.ca/english/Pgdb/Economy/International/gblec04.htm](http://www.statcan.ca/english/Pgdb/Economy/International/gblec04.htm)

## Products Not Present in Canada Owing to Significant Barriers

A number of federal laws and regulations govern the importation of food into Canada. The following is a brief overview of information regarding specific laws and regulations. It is recommended that exporters to Canada consult the actual legislation, as appropriate, for each specific primary or value-added product.

The Export and Import Controls Bureau of the Department of Foreign Affairs and International Trade is responsible for the issuance of permits for goods on the Import Control List and Export Control List under the authority of the Export and Import permits Act. The following products are subject to current controls:

### **Agricultural Products Subject to Import Controls (TRQ's)**

- Chicken
- Turkey
- Broiler hatching eggs and Chicks
- Shell Eggs and Egg Products
- Cheese
- Butter
- Margarine
- Ice Cream, Yogurt
- Other Dairy Products
- Barley and Barley products
- Wheat and Wheat products
- Beef and Veal from Non-NAFTA countries

### **Fish Products**

Canada is the second most important market for U.S. edible fish and seafood exports, after Japan. The United States accounted for 44% of total Canadian imports of edible fish and seafood during 2000.

Canada's Fish, Seafood and Production Division of the Canadian Food Inspection Agency (CFIA) develops and promotes product and process standards for the quality, safety and identity of fish and seafood products, and ensures compliance with these standards. The CFIA mandate is defined under the Fish Inspection Act.

### **Summary of Regulatory Requirements for U.S. Fish Products in Canada**

The following information outlines basic information pertaining to safety, quality, composition, labeling requirements and inspection procedures of imported fish into Canada as administered by the Canadian Food Inspection Agency (CFIA), Fish Inspection Directorate.

The authority for the control and inspection of fish is provided under: The Fish Inspection Act and the Fish Inspection Regulations. The CFIA's Fish Inspection Directorate also takes into consideration requirements of other Canadian federal agencies concerned with the inspection of food such as Health Canada.

The Canadian importer of U.S. fish and seafood products must be in possession of a Fish Import Licence. There are three categories of licence: a Fish Importers Licence, a Shared Quality Management Program for Importers Licence (QMPI) and an Enhanced QMPI. A Fish Import Licence costs C\$500 per year. The import licence fee for Shared or Enhanced QMPI is C\$5,000 per year. Shared and Enhanced QMPI importers are required to implement a high level of quality assurance activities.

Importers are required to notify the CFIA, prior to importation of a product or within 48 hours following importation, of the product type and quantity, the name of the producer, the country of origin and the storage location of each product contained in a shipment. Product is not to be moved pending inspection or notification by an inspector concerning the inspection requirements of the products.

For canned products, the import notification must be accompanied by a code list which indicates the processing establishment and the number of containers for each production code. Failure to provide proper written notification for each imported shipment may result in enforcement action by CFIA.

Fees will be charged for imported products based on the declared weight (i.e. the quantity of fish identified in the written notification provided to CFIA) at the time of importation.

When an imported product fails to comply with the Fish Inspection Regulations, the product will be listed on the Fish Inspection Directorate Import Alert List, and all subsequent importations of this product from the same producer will be subject to mandatory inspection until such time as four (4) consecutive importations comply with the Fish Inspection Regulations. The Canadian importer is required to pay the inspection fees, the amount to depend on the test(s) performed, for the inspection of any product by the Fish Inspection Directorate. Importers are invoiced for all inspection fees, on a monthly basis.

Website: For information on the CFIA's activities, regulations and requirements related to the importation of fish and seafood, including the Canadian Shellfish Sanitation Program, Import Inspection and the Quality Management Program, visit the official website of the Canadian Food Inspection Agency, Fish Inspection Directorate, at: <http://www.inspection.gc.ca/english/anima/fispoie/fispoie.shtml>

#### Food Allergens

A variety of foods cause adverse reactions in hypersensitive individuals. Most adverse food reactions are caused by the following foods or their derivatives:

Peanuts

Tree nuts (almonds, brazils, cashews, hazelnuts, macadamias, pecans, pine nuts, pistachios, walnuts)

Sesame seeds

Milk

Eggs

Fish

Crustaceans (crab, crayfish, lobster, shrimp)

Shellfish (clams, mussels, oysters, scallops)

Soy

Wheat

Sulfites

If these foods and their by-products or derivatives are not labelled or are incorrectly labelled, or if inadvertent carry-over occurs during processing, the results can be fatal.

Exporters of these products are encouraged to identify these ingredients or components. It is also recommended that the plant source all forms of hydrolysed plant proteins, starches, and lecithin be identified (e.g. hydrolysed soy protein, modified wheat starch, soy lecithin)

#### Vitamins and Minerals

The addition of vitamins, minerals and amino acids to food is regulated by the Food and Drug Act and regulations. It specifies which foods may be enriched and with which nutrients.

Canadian requirements for the addition of nutrients to food may differ significantly from the United States and other countries. Vitamins and mineral supplements are regulated as drugs in Canada. For further information on these products, exporters must contact the Therapeutic Products Programme of Health Canada.

#### Novel Foods

Canada has a stringent process for evaluating the safety of novel foods, including foods derived through genetic modification (biotechnology). New novel food regulations under the Food and Drug Act and

regulations require that manufacturers and exporters of novel foods notify Health Canada of their intention to market a new product in Canada. This pre-market notification allows Health Canada to conduct a thorough safety assessment of the product. A section of the Health Canada website is dedicated to novel foods.

[www.hc-sc.gc.ca/food-aliment/english/subjects/novel\\_foods\\_and\\_ingredient/novel\\_foods\\_and\\_ingredient.html](http://www.hc-sc.gc.ca/food-aliment/english/subjects/novel_foods_and_ingredient/novel_foods_and_ingredient.html)

#### Food Additives

The Food and Drug Act and regulations strictly control the use of food additives. The list is extensive and comprehensive; the additives table in Division 16 of the regulations in the Food and Drug Act is available from Health Canada and on-line at [www.hc-sc.gc.ca](http://www.hc-sc.gc.ca).

#### Food Irradiation

Irradiation is regulated by the Food and Drug Act and Regulations. Only the following foods are allowed to be irradiated in Canada: potatoes, onion, wheat, flour, whole wheat flour, whole and ground spices, and dehydrated seasoning preparations. Irradiated foods not in compliance with the Food and Drugs Act and regulations are not permitted for sale in Canada.

*Specific import regulations exist for the following products:*

Alcoholic Beverages

Dairy Products

Eggs and Processed Eggs

Fish and Fish Products

Food Additives

Food Colour

Weight Loss Foods

Fresh Fruits and Vegetables

Processed Fruit and Vegetables

Grains

Honey

Infant Formula

Low Acid Foods in Hermetically Sealed Containers (Canned Foods)

Maple Products

Meat and Poultry

Novel Foods

Sports Nutrition Products

Wildlife

## II. Road Map for Market Entry

### a) Entry Strategy

How can U.S. exporters take advantage of this burgeoning Canadian market sector?

The first step in entering the Canadian market is contacting the State Regional Office representing the various State Department of Agriculture. These offices promote the exports of food and other agricultural products from their region, worldwide and often are able to offer support in the form of the Foreign Agricultural Service (FAS) Market Access Program (MAP) funds.

Food Export USA represents agricultural products in the states of Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont. (<http://www.foodexportusa.org>)

The Mid-American International Agri-Trade council (MIATCO) represents the states of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. (<http://www.miatco.org>)

The Southern United States Trade Association (SUSTA) represents the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia and the Commonwealth of Puerto Rico. (<http://www.susta.org>)

The Western U.S. Agricultural Trade Association (WUSATA) represents the twelve western state departments of agriculture and two territories from the Western U.S. The states include Alaska, Arizona, American Samoa, California, Colorado, Guam, Hawaii, Idaho, Montana, New Mexico, Oregon, Utah, Washington and Wyoming. (<http://www.wusata.org>)

The second step in entering the Canadian market is locating an agent/distributor in Canada to represent your product.

The Foreign Agricultural Service ([www.fas.usda.gov](http://www.fas.usda.gov)) at the United States Embassy in Canada ([www.usembassycanada.gov](http://www.usembassycanada.gov)) endorses a program for U.S. export ready companies called "Canada Connects". The program is designed to help match prospective exporters with the suitable Canadian business entities (agents/distributors/brokers/buyers) and to ensure an accurately expedited entry into Canada. Contact Cory Streef or Virginia Zimm, Faye Clack Marketing & Communications Inc., telephone: 905-206-0577 for more information.

In addition, the formerly named Canadian Food Brokers Association, now the International division for the ASMC (Association of Sales and Marketing Companies), will provide sales and marketing information for your specific product and opportunities within Canada. The Canadian Importers and Exporters Association, Toronto, Canada, will provide information concerning exporting to Canada and will direct potential companies to the appropriate import representation. Canadian Consulates throughout the United States and the Canadian Embassy in Washington, D.C. will also provide direction.

In order to enter the Canadian market U.S. exporters must be armed with information on Canadian standards and regulations. Agents, distributors, brokers, and importers are often the best first line of communication and can lead companies through the regulatory import process.

As with conventional products, US organic exporters encounter a number of federal acts and regulations that govern the importation of food into Canada. It is a shared responsibility of several federal agencies. The primary federal agencies involved are the Canadian Food Inspection Agency and the Department of

Foreign Affairs and International Trade.

The Canadian Food Inspection Agency (CFIA) provides all federal inspection services related to food safety, economic fraud, trade-related requirements, animal and plant disease and pest programs. The CFIA administers the following acts:

- |  |   |
|--|---|
| a) Food and Drug Act                     | a) Canada Agricultural Products Act     |
| b) Meat Inspection Act                   | b) Consumer Packaging and Labelling Act |
| c) Plant Protection Act                  | c) Health of Animals Act                |
| d) Administrative Monetary Penalties Act | d) Seed Act                             |
| e) Feed Act                              | e) Fertilizers Act                      |
| g) Canadian Food Inspections Act         | f) Plant Breeder's Rights Act           |

The Food and Drug Act and Regulations is the primary legislation that applies to all food sold in Canada, whether imported or domestic. This legislation sets out minimum health and safety requirements, as well as provisions preventing fraud or deception (labelling, packaging, treatment, processing, sale and advertising).

Regulations for the organic industry are covered under the Section 5.1 of the Food and Drugs Act (FDA) and Section 7 of the Consumer Packaging and Labelling Act (CPLA).

While federal responsibility for food inspection resides with the CFIA, other departments play a role in the regulation of food importation. The Department of Foreign Affairs and International Trade controls the importation of certain agricultural products through the application of the Export and Import Permits Act and Tariff Rate Quotas.

Although the Universal Product Code (U.P.C.) or bar code is not required or administered by government, virtually all retailers require products to be labelled with a U.P.C.

The best entry method depends on the food product and the sub-sector identified as appropriate for each food product. Each sub-sector is regulated by government and industry import policies and trade acts. Each US export opportunity must be thoroughly investigated relative to the legislation that exists for the product requesting entry.

## Demographics of major players

Channel/ Company	Owner / Head Office	Stores	National / Regional	Est.Sales (billions)
<i>Drug Stores (Banners):</i>				
Shoppers Drug Mart	Shoppers Drug Mart 243 Consumers Road Toronto, ON M2J 4W8 T: 416-493-1220 F: 416490-2700 <a href="http://www.shoppersdrugmart.ca">www.shoppersdrugmart.ca</a>	814	National	\$4.5
PharmaPlus, Rexall, IDA, Guardian, Medicine Shoppe, PharmX, RxCentral	Katz Group Inc. 10104-103 Avenue NW Suite 1702 Edmonton, AB T5J 0H8 T: 780-990-0505	1350	National	\$3.25
Pharmacie Jean Coutu  * Total sales in Canada	The Jean Coutu Group (PJC) Inc. 530 Bériault Street Longueuil, QC J4G 1S8 T: 450-646-9760 F: 450-646-2510 <a href="http://www.jeancoutu.com">www.jeancoutu.com</a>	252	Regional: New Brunswick/ Quebec/ Ontario	\$1.2*
Lawtons Drug Stores	Lawtons Drug Stores Limited/Division of Sobeys Inc. 236 Brownlow Ave Dartmouth, NS, B3B 1V5 T: 902-468-1000 F902-468-8566	64	Regional: Nova Scotia, PEI, New Brunswick, Newfoundland	N/A

Channel/ Company	Owner / Head Office	Stores	National / Regional	Est. Sales (billions)
London Drug Stores	London Drugs Limited 12831 Horseshoe Way Richmond, BC V7A 4X5 <a href="http://www.londondrugs.com">www.londondrugs.com</a>	55	Regional: BC & Alberta	N/A
Hy & Zel's Inc.	Hy & Zel's Inc. 7171 Yonge Street Thornhill, ON L3T 2A9  T: 905-886-7171 F: 905-886-9605 <a href="http://www.hyzel.com">www.hyzel.com</a>	16	Regional: Ontario	N/A
<i>Major Banner Convenience Stores:</i> Mac's, Becker's, Couche- Tard, Select, Daisy  *Canada only	Alimentation Couche-Tard Inc. 1600 Boul Saint-Martin Est Tour B Suite 200 Laval, P.Q. H7G 4S7  T: 450-662-6632 F: 450-662-7537 <a href="http://www.couche-tard.ca">www.couche-tard.ca</a>	1,676*	National	2001 \$1.673 billion
Avondale Stores	Avondale Stores Limited 4520 Jordan Road P.O. Box 130 Jordan Station, ON LOR 2S0  T: 905-562-4173 F: 905-562-4414	105	Regional: Ontario	N/A
Farah Foods Hasty Market Min-a-Mart	Farah Foods Ltd./Hasty Market Corp. 879 Cranberry Court Oakville, ON L6L 6S7  T: 905-847-7373 F: 905-847-7731	13 (FF) 80 (HM) 12 (MM) 25 (Ind)	Regional: Southern Ontario	N/A

Channel/ Company	Owner / Head Office	Stores	National / Regional	Est. Sales (billions)
Good Neighbour Stores	Good Neighbour Stores 75 Barbour Drive Mount Pearl, NF A1N 2X3  T: 709-368-6355 F: 709-368-6047	120	Regional: Newfoundland	N/A
Green Gables Convenience	Green Gables Convenience Stores 123 North Foord Street P.O. Box 2530 Stellarton, Nova Scotia B0K 1S0  T: 902-752-0361 F: 902-752-3969	43	Regional: Nova Scotia, New Brunswick, Prince Edward Island	N/A
Stop 'n Shop	Husky Oil Marketing Company & Mohawk Canada Limited 707- 8 <sup>th</sup> Street S.W. Calgary, AB, T2P 3G7  T: 403-298-7286 F: 403-298-7383 Email: wingkie.seto@husky-il.com	600	Regional: BC, Yukon, Alberta, Manitoba, Saskatchewa n Ontario	N/A
Tiger Express	Imperial Oil Limited 111 St. Clair Avenue West Toronto, ON, M5W 1K3  T: 416-968-5513 F: 416-968-5195	290	National	N/A
Irving Convenience Stores	Irving Convenience Stores P.O. Box 1421 Saint John, NB E2L 4K1  T: 506-202-2000 F: 506-202-3471	135	Regional: Quebec, Atlantic Provinces	N/A
Needs Convenience Stores	P.O. Box 2530 Stellarton, NS B0K 1S0  T: 902-752-0361 F: 902-752-3969	79	Regional" Nova Scotia New Brunswick Newfoundland	N/A

Channel/ Company	Owner / Head Office	Stores	National / Regional	Est. Sales (billions)
Petro-Canada Super Stop Convenience	Petro-Canada Petro-Canada, Convenience Retailing Petro-Canada Business Centre 2489 North Sheridan Way Mississauga, ON L5K 1A8  T: 905-804-4500 F: 905-804-4596 E: hmcintyre@petro-canada.ca	29	National	N/A
Quickie	Quickie Convenience Stores 2520 St. Laurent Blvd. Suite 201 Ottawa, ON K1H 1B1  T: 613-736-7962 F: 613-736-7970	40	Regional: Ontario Western Quebec	N/A
7-Eleven	7-Eleven Canada Inc. 3185 Willingdon Green Burnaby, BC V5G 4P3  T: 604-299-0711 F: 604-293-5650	476	Regional: BC, Alberta, Saskatchewa n, Manitoba, Ontario	\$975 million
Shell Canada Select Food Stores  Select; Turbo Mini; Payless; Beaver	Shell Canada Shell Canada Products Limited 400 Fourth Avenue SW Calgary, AB T2P 2H5  T: 403-691-3300 F: 403-691-4151 www.shell.ca	438	Regional: BC, Alberta Saskatchewa n Manitoba Ontario Quebec	N/A
<i>Warehouse Club Stores:</i> Costco	Costco Canada Inc. Quebec: 300 Jacques Bureau Laval, PQ H7P 5P7  T: 514-686-4444 F: 514-686-7455	60	National	Est. grocery \$2.4 billion

Channel/ Company	Owner / Head Office	Stores	National / Regional	Est. Sales (billions)
Mass Merchandisers: Wal-Mart	Wal-Mart Canada Inc. 1940 Argentia Road Mississauga, ON L5N 1P9  T: 905-821-2111 F: 905-821-6359	168	National	Est. grocery \$1.45 billion
Zellers	Zellers Incorporated 8925 Torbram Road Brampton, ON L6T 4G1  T: 905-792-4400 F: 905-792-4492	330	National	2000 Total sales
Northern Stores North Mart Quickstop	The North West Company 77 Main Street Winnipeg, MB R3C 2R1  T: 204-943-0881 F: 204-934-1488 www.northwest.ca	144	Regional: Yukon, Nunavut BC, Alberta Saskatchewa n Manitoba, Ontario Newfoundland Quebec	2000 Total sales: \$629 million
Organic/Natural/Health Food Stores:  Nutter's Bulk and Natural Foods	107-1601 Dunmore Road SE, Medicine Hat, AB T1A 1Z8  T: 403-529-1664 F: 403-529-6507  Medicinhat@nutters.com www.nutters.com	2	Regional: Ontario	N/A

Channel/ Company	Owner / Head Office	Stores	National / Regional	Est. Sales (billions)
Ontario Natural Food Co-op (member of buying club)	70 Fima Crescent Toronto, ON M8W 4V9  T: 800-387-0354 or 416-503-1144, ext.33 F: 416-503-2848 www.kd@onfc.on.ca	1	Regional: Ontario	N/A
The Big Carrot	348 Danforth Avenue Toronto, ON M4K 1N8  T: 416-466-2129 F: 416-466-2366 health@thebigcarrot.ca www.thebigcarrot.ca	1	Regional: Ontario	N/A
Capers (Wild Oats Community Markets, Inc.)	Wild Oats Community Markets, Inc. 3375 Mitchell Lane Boulder, CO 80301  T: 303-440-5220 F: 303-928-0022 www.wildoats.com/capers/index/html0.1d	4  (109 US)	Regional: Saskatchewan	N/A
Steep Hill Food Co-op	730 Broadway Avenue Saskatoon, SK S7N 1B4  T: 306-664-4455 F: 306-664-4595 yak@the.link.ca www.sfn.saskatoon.sk.ca/business/steephill/index.html			N/A
Alternatives Natural Food Market	579 Kerr Street Oakville, ON  Port Credit also		Regional: Southern Ontario	N/A

Channel/ Company	Owner / Head Office	Stores	National / Regional	Est. Sales (billions)
Karma Co-op (must be a member to shop here)	739 Palmerston Avenue Toronto, ON M6G 2R3  T: 416-534-1470 F: 416-534-3697 <a href="http://www.freecfm.com/w/w/karma/karma.html">www.freecfm.com/w/w/karma/karma.html</a>	1	Ontario	N/A
Online Retail Grocers:  WOW Foods	80 Centennial Drive Unit 8 Orangeville, ON L9W 1P9  T: 1-877-926-4426 F: 519-938-9396 <a href="mailto:info@mywowbox.com">info@mywowbox.com</a> <a href="http://www.mywowbox.com">www.mywowbox.com</a>		Greater Toronto area, Guelph, Barrie	N/A
Green Earth Organics  Greater Vancouver area:          Greater Toronto area:	1864 Triumph Street, Vancouver, BC V5L 1K2  T: 604-708-2345 F: 604-708-5998 <a href="mailto:info@greenearthorganics.com">info@greenearthorganics.com</a> <a href="http://www.greenearthorganics.com">www.greenearthorganics.com</a>  #16 - 1720 Midland Avenue, Toronto, ON M1P 3C8  T: 416-285-5300 <a href="mailto:Service@greenearthorganics.com">Service@greenearthorganics.com</a> <a href="http://www.greenearthorganics.com">www.greenearthorganics.com</a>		Regional BC Toronto	N/A

Channel/ Company	Owner / Head Office	Stores	National / Regional	Est. Sales (billions)
Grocery Gateway	6099A Vipond Drive Mississauga, ON L5T 2B2  T: 905-565-5597 F: 905-670-6017  info@grocerygateway.com www.grogate.com	N/A	Regional: Greater Toronto area, surrounding cities	\$8 million

### Marketing and Trade Practices

Trade practices is a broad term that refers to the way shippers and retailers conduct business. It includes the payments, such as rebates and slotting fees, as well as services like automatic inventory replenishing, special packaging, and third party food safety certification. Trade practices also refer to the overall structure of a transaction. For example, long-term relationship or contracts versus daily sales with no continuing commitment.

**Slotting/Pay-to-stay fees:** Economists define slotting fees as up-front fees paid by suppliers to retailers to guarantee shelf space for new products. Fees that are paid to guarantee shelf space for existing products are referred to as “pay-to-stay” fees. Often, they mean or are referred to as the same thing by shippers.

**Brokers:** A broker is an agent in the marketing chain who negotiates transactions between buyers and sellers without taking title to the merchandise or physically handling the product. However, there are also buying brokers who purchase on account for client and who do take title.

**Wholesalers:** Wholesalers are an interim step between the shipper and the retail buyer. They do take title and warehouse product.

**Promotional fees or cooperative advertising:** Shippers pay promotional fees to retailers to promote their products to consumers. They may be fixed, up-front fees or structured as per-carton allowances. There may or may not be a performance commitment associated with these fees.

**Value-added services:** Special merchandising displays and point-of-sale materials are store-level value-added enhancements utilized to promote product sales. Suppliers often provide retailers with value-added materials when introducing a new product or as a means of stimulating consumer demand for a product experiencing sluggish turnover.

**Volume incentives:** Per-carton rebates are paid once a certain volume level is attained by the retailer. Volume incentives are usually structured with graduated scales, increasing as certain target volumes are achieved.

**Listing or warehouse fees:** These fees may be required to become a supplier to a distribution centre. They are charged to cover the administration costs of entering the shipper’s information into the buyers’ database.

**Electronic data interchange (EDI):** There are bilateral electronic transactions between specific retailers

and their preferred suppliers. They may be used only for invoicing or for electronic ordering and other procurement activities. When supplying a larger chain, EDI is usually mandatory practice.

### **Category/Inventory management systems**

Category Management Systems are today's answer for retailers to manage the front store efficiently and profitably: the right product in the right department in the right shelf location.

Planograms are simple charts depicting product placement in-store. They are the fundamental tools retailers require to execute category management effectively, maintain margin control and provide customer service.

Non-traditional retail environments rely heavily on category management, as the majority of purchases are of an impulse nature. In order to drive sales, it is vital to understand the consumer's buying habits and patterns. Proper placement, facing management and cross-merchandising are essential.

Larger non-traditional retailers often execute category management internally. Adopting the McDonald's model. Every store is merchandised the same way. However, manufacturers and brokers have begun to assume the role of category management for the non-traditional retailer.

Guaranteed sales are often associated with non-produce perishable items within the category management model for the non-traditional environment. This process is executed handily as store deliveries are more frequent in this environment due to the size platform of the store.

When entering the Canadian non-traditional retail market manufacturers must make category management part of the product value equation.

**Automatic Inventory Replenishment:** The supplier is electronically integrated into the buyer's inventory management system. The preferred supplier thereby has the responsibility and authority to access the data necessary to co-manage inventory with the retailer, according to negotiated parameters. The supplier is responsible for maintaining appropriate inventory levels at identified distribution centres and for shipping product according to the agreement with the buyer, rather than waiting for product orders from the buyer.

**Guaranteed sales:** Retailers may charge suppliers fixed fees when products fail to sell. Or retailers may also force shippers to take back product rejected at the distribution centre level. As part of a superior maintenance program, many shippers who provide perishable products with best before dates, offer guaranteed sales.

**Direct Store Delivery (DSD):** DSD is a form of distribution that delivers products from the manufacturer directly to the end user retail outlet, instead of to a warehouse. Dairy and bakery are good examples of products distributed by DSD. These products generally have short shelf lives. The products are loaded on the manufacturer's truck and delivered directly to traditional and non-traditional retail grocery outlets. Dairy products, beverages, snack foods and even magazines and newspapers are examples of product distributed by DSD. Each delivery truck is like a rolling warehouse.

Route accounting software keeps track of every aspect of the order going into or out of the manufacturing facility. DSD manufacturers rely on the accuracy of drivers to anticipate product orders. Each driver has a route of specific customers to whom s/he delivers products on a daily, or weekly basis. S/he is responsible for determining the correct load for their trucks to fill customer orders for any given day. This includes existing orders, orders called in, and estimated requirements for customers to whom the driver sells from the truck.

In the non-traditional retail world, this is the optimum value-added service. 80% of non-traditional retailers

utilize direct to store delivery solutions.

**Shipping:** Most products are shipped F.O.B. (Free-on-Board), which is classified as the shipping point price. Free-on-Board pricing excludes freight and insurance costs. This price is the average, unweighted unit price received by the shipper or grower-shipper primarily for sales in carload or truckload quantities.

**Product Rotation:** Products that exhibit a "Best Before Date" are typically fresh products with natural ingredients and few preservatives. It is essential that proper shelf rotation be practised to maintain freshness and customer satisfaction. Products that are in plastic or that contain Nutrasweet need special attention. Product rotation for a manufacturer's product must be communicated to the non-traditional retailer regularly as part of good category management and to avoid health safety issues.

**Logistics:** Distribution companies are typically responsible for one or all three of the following services: warehousing, distribution, and transportation for manufacturers, growers and shippers needs. To obtain an appropriate logistics provider, consult Blue, Green and Red Book Services, 845 E. Geneva Road, Carol Stream, IL, USA 60188. Phone: 630-668-3500. Fax: 630-668-0303

#### ***The Association of Sales and Marketing Companies***

The ASMC helps exporters in the food industry to identify brokers or sales agencies via its web site [www.asmc.org](http://www.asmc.org) or through the purchase of its membership directory. Some member companies are strictly brokers, while others are broker/marketing companies. The ASMC web site lists member companies by category, enabling manufacturers to locate qualified sales representation through the ASMC Referral Service or from selected ASMC reports based on sorting criteria that include:

- u) Geographic location (by region or country);
- v) Primary business specializations;
- w) Product categories (lines represented by the sales agency);
- x) Trades of class called upon by the sales agency.

For further information, manufacturers should contact:

Cindy Baker  
ASMC Referral Service  
1010 Wisconsin Avenue, NW  
Washington, DC 20007  
Telephone: 202.337.9351

## Legal and regulatory requirements

### **Food Labelling and Advertising**

Entry into the Canadian food market should be facilitated by an appropriate liaison such as a government agency, importer, food broker, distributor, re-packer/re-bagger or combination thereof. It is imperative to align with appropriate officials and local representation. Local representation provides exporters with knowledge of the local, regional and national markets and opportunities that exist in each. They also provide guidance on best business practices, government importation laws, sales contacts, market development expertise, and advice regarding customs regulations, metric measurement requirements, labelling laws, health claims, nutrient content claims, PLU (Price Look Up) and UPC requirements, and the latest food restrictions, etc.

French language laws in Quebec govern the need to include any labelling, promotional items and advertising in French. Also, regulations governing the packing and labelling of food products differ from those in the United States in several important respects, including: language, weights and measures, ingredient information, and nutritional/health claims.

### **Organic Labelling and Certification in Canada**

The National Standard for Organic Agriculture was ratified by the Standards Council of Canada (SCC) April 19, 1999 and was published at the end of June 1999. Food products which are labelled or otherwise identified as "organic" are expected, as a minimum, to comply with the production, processing, packaging, labelling, storing and distribution requirements of the National Standard for Organic Agriculture.

British Columbia and Quebec are the only two provinces with certification requirements. All organic produce and processed organic products imported into these provinces must comply with their regulations. The Quebec Accreditation Council (CAQ) has stated that January 1st, 2002 is the effective date of the Program for Supervising the Import of Organic Agricultural Produce and Foodstuffs into Quebec territory.

## Activities

### **Trade and Consumer Shows in Canada 2002**

#### **January**

21: **Food and Consumer Products Manufacturers of Canada, Foodservice Interchange Conference.** Metro Toronto Convention Centre, Toronto, Ontario. Contact Heather Montague, 416-510-8024, ext. 2237, or email [heatherm@fcpmc.ca](mailto:heatherm@fcpmc.ca)

24-25: **Canadian Council of Grocery Distributors, Western Regional Conference,** Calgary, Alta. Contact Michelle Scott, 416-922-6228, ext. 326, or email [mccott@ccgd.ca](mailto:mccott@ccgd.ca)

25-27: **The 21<sup>st</sup> Annual Organic Conference & Trade Show, "Organic Agriculture & The Farm Economy"**. University of Guelph, Guelph, Ontario. Tel: 705-444-0923

30 - 2 Feb: **Canadian Produce Marketing Association, 77<sup>th</sup> Annual Convention and Trade Show, Teamwork 2002,** Metro Toronto Convention Centre, Toronto, Ont. Tel. 613-226-4187, or email [lmcclelland@cpma.ca](mailto:lmcclelland@cpma.ca)

**February**

20: **Food and Consumer Products Manufacturers of Canada, Consumer Markets Symposium**, Toronto, Ont. Contact Heather Montague, 416-510-8024, ext 227, or email [heatherm@fcpmc.ca](mailto:heatherm@fcpmc.ca)

**April**

2-4: **SIAL Montreal**, Palais Congres, Montreal, Quebec. Tel. 1-800-363-3923, visit [www.sial.fr](http://www.sial.fr) or email [info@sial-montreal.com](mailto:info@sial-montreal.com).

4-7: **Canadian Health Food Association Expo West**, Vancouver Convention & Exhibition Center, Vancouver, BC. Fax 1-800-858-4792, or visit [www.chfa.ca](http://www.chfa.ca)

8-9: **Food and Consumer Products Manufacturers of Canada Annual Conference**, Inn on the Park Hotel, Toronto, Ontario. Contact Heather Montague, 416-510-8024, ext 227, or email [heatherm@fcpmc.ca](mailto:heatherm@fcpmc.ca)

21-22: **Grocery Showcase West 2002**, Vancouver Convention and Exhibition Centre, Vancouver, BC. Tel. 416-492-2311, or visit [www.cfig.ca](http://www.cfig.ca)

28-30: **Bakery Showcase 2002**, Toronto Congress Centre, Toronto, Ontario. Tel. 905-405-0288 or 888-674-2253, or visit [www.bakingassoccanada.com](http://www.bakingassoccanada.com)

**May**

25-28: Canadian Council of Grocery Distributors National Conference, Whistler, BC. Contact Michelle Scott, 416-922-6228, ext. 326, or email [mScott@ccgd.ca](mailto:mScott@ccgd.ca)

**August**

21-28: **14th IFOAM Organic World Congress**, Victoria Conference Centre, Victoria, BC. Tel. 250-655-5652, or email [ifoam@cog.ca](mailto:ifoam@cog.ca)

**October**

27-29: **Grocery Innovations Canada III**, Metro Toronto Convention Centre, Toronto, Ont. Tel. 416-492-2311

## Conclusion

Opportunities for U.S. food producers and processors abound in Canada's nontraditional sector, which is increasingly well positioned to meet the needs of the time-pressed consumer on a quest for convenient meal solutions, groceries and services. In fact, nearly 75 per cent of consumers decide what to purchase while in the convenience store. Convenience stores are uniquely suited to provide a broad array of RTE foods and RTD beverages.

Almost all of the trends reported in this document are about convenient, ready-to-consume foods and beverages. In the minds of Canadians, shopping convenience is synonymous with convenience stores which, with the addition of HMRS, RTD, soy and functional beverages, functional foods and energy bars, fresh produce, cut flowers, an array of destination services and franchise foodservice partners, are making a reality of one-stop shopping – without the lineups. Drug stores, with narrowing margins on the prescription and OTC drug side, are focussing more on the grocery category - not just seasonally, but year-round. At mass merchandisers and warehouse clubs groceries make a significant contribution to the bottom line – and in the case of mass merchandiser Wal-Mart - the groceries it sells are through "The Pantry", its convenience section.

## Recommended Next Steps

### Post Contact and Further Information:

Faye Clack Marketing & Communications Inc.  
 170 Robert Speck Parkway, 1st Floor  
 Mississauga, ON L4Z 3G1  
 Tel: 905-206-0577  
 Fax: 905-206-0581

## APPENDIX

### Government Regulatory Agencies and their Functions

Government Regulatory Organizations	Purpose/Function	Contact Information
Canadian Food Inspection Agency (CFIA)	The CFIA is the Government of Canada's Regulator for: Food safety (along with Health Canada) Animal health Plant protection	59 Camelot Drive Nepean, Ontario K1A 0Y9 T: 613-225-2342 F: 613-228-6653  <a href="http://www.inspection.gc.ca">www.inspection.gc.ca</a>
Canada Customs and Revenue Agency (CCRA)	Canada Customs' mission is to promote compliance with Canada's tax, trade, and border legislation and regulations through education, service and enforcement. CCRA will provide information regarding your obligations and entitlements under the import laws in Canada which they administer.	International Tax Services 2204 Walkley Road Ottawa, Ontario K1A 1A8  T: 800-267-5177 F: 613-941-2505  <a href="http://www.ccra-adrc.gc.ca">www.ccra-adrc.gc.ca</a>
Canadian Food and Drug Act (FDA)	The Canadian Food and Drug Act is a regulatory document provided by Health Canada. It's contents are extensive and may be used for information regarding specific food import restrictions.	See Health Canada address or e-mail: Gary_Trivett@ hc-sc.gc.ca <a href="http://www.hc-sc.gc.ca/food">www.hc-sc.gc.ca/food</a>
Health Canada	Health Canada administers the Food Safety Assessment Program which assesses the effectiveness of the Canadian Food Inspection Agency's activities related to food safety. This includes reviewing the design and operational delivery of CFIA's programs related to food safety, assessing compliance with health and safety standards and evaluating the results achieved.	A.L. 0900C2 Ottawa, Ontario K1A 0K9  T: 613-941-5366 F: 613-957-2991  <a href="http://www.hc-sc.gc.ca">www.hc-sc.gc.ca</a>

Government Regulatory Organizations	Purpose/Function	Contact Information
Bureau of Food Safety Assessment	The purpose of BFSA is to provide objective information and advice to the Minister of Health on the effectiveness of CFIA's programs and activities aimed at contributing to the safety and nutritional quality of the food supply.	See Health Canada address  www.hc-sc.gc.ca/food-aliment
Foreign Affairs and International Trade (DFAIT)	DFAIT is responsible for allocating tariff rate quotas to importers.	125 Sussex Drive Ottawa, Ontario K1A 0G2 T: 613-944-4000 F: 613-944-6500  enqserv@dfait-maeci.gc.ca  www.dfait-maeci.gc.ca
Measurement Canada	Administers and enforces the Weights and Measures Act through the exclusive constitutional authority of the Government of Canada.  www.strategis.ic.gc.ca	Industry Canada T: 613-954-5031  strategis@ic.gc.ca  www.strategis.ic.gc.ca
Environment Canada	Administers the North American Agreement on Environmental Cooperation (NAAEC) which is the environmental side agreement to NAFTA.  The NAAEC was signed by Canada, Mexico and the United States and came into force January 1, 1994. www.naaec.gc.ca	351 St. Joseph Boulevard Hull, Quebec K1A 0H3  T: 819-997-2800 or 800-668-6767 F: 819-953-2225  enviroinfo@ec.gc.ca  www.naaec.gc.ca

### Non-Government Organizations and Agencies

Organization	Purpose/Function	Contact Information
Organic Trade Association (OTA)	The Organic Trade Association (OTA) is a membership based business association representing the organic industry in Canada, the United States and Mexico. Members include growers, shippers, processors, certifiers, farmer associations, brokers, manufacturers, consultants, distributors and retailers.	PO Box 547 Greenfield, MA 01302  T: 413-774-7511 F: 413-774-6432  info@ota.com  www.ota.com
Quebec Accreditation Board	The Board's mission is to provide accreditation to certification bodies, make recommendations to the Minister regarding recognition of designations and to monitor how the latter are used.	201, boul. Cremazie est, local 2.01 Montreal, QC H2M 1L4  T: 514-864-8999 F: 514-873-9994  Info@caqbio.org  www.caqbio.com
Eco-Market Database	On-line database of organic products and retailers for those looking to sell products.	www.gks.com

### Canadian Food Inspection Agency Import Service Centres

The Canadian Food Inspection Agency is the best preliminary contact for information relating to food safety and standards. As part of its commitment to improving service for clients, the Canadian Food Inspection Agency, in cooperation with the Canada Customs and Revenue Agency (CCRA), has established three regional Import Service Centres (ISC); Eastern Region, Montreal; Central Region, Toronto; and Western Region, Vancouver.

Import Service Centres process import request documentation/data sent electronically or by fax by the importing community across Canada. Staff review the information and return the decision either electronically to Canada Customs and Revenue Agency, which then relays it to the client, or by fax directly to the broker/importer, who then submits the release package to CCRA.

In addition, ISC staff manage telephone inquiries regarding import requirements for all commodities regulated by the CFIA and, when necessary, coordinate inspections for import shipments.

## Report Service Centres Across Canada

### Eastern ISC

7:00 a.m. to 11:00 p.m. (local time)

Telephone: 1-877-493-0468  
(inside Canada or U.S.)

Fax: 1-514-493-4103

### Central ISC

7:00 a.m. to 12:00 a.m. (local time)

Telephone: 1-800-835-4486  
(inside Canada or U.S.)

Fax: 1-905-612-6280

### Western ISC

7:00 a.m. to 12:00 a.m. (local time)

Telephone: 1-888-732-6222  
(inside Canada or U.S.)

Fax: 1-604-541-3373  
EDI: 1-604-666-7073

## Find Us on the World Wide Web:

Visit our headquarter's home page at <http://www.fas.usda.gov> for a complete listing of FAS' worldwide agricultural reporting. To access these reports click on "Commodities", then "Market Reports" and then "Attache Reports". If you have the report number search Option 3. Insert the AGR #.

Contact FAS/Ottawa by e-mail: [usagr@istar.ca](mailto:usagr@istar.ca)

Contact Faye Clack Marketing & Communications, Inc. by email: [cstreef@fayeclack.com](mailto:cstreef@fayeclack.com)

## Related FAS/Ottawa reports:

Report Number	Title of Report	Date
CA9016	Marketing In Canada	2/18/99
CA9142	Western Canada Retail Study	12/23/99
CA0001	Eastern Canada Retail Study	01/05/00
CA0047	HRI Foodservice Sector - Eastern Canada	04/19/00
CA0082	Canada Connect (Matchmaker Program)	06/26/00
CA0127	HRI Foodservice Sector - Western CA	08/25/00
CA0135	Private Label Grocery Opportunities	09/11/00
CA0174	Pet Food Industry Product Brief	11/06/00
CA1002	Grocery Innovations Canada	01/04/01
CA1054	SIAL Montreal 2001 Evaluation	04/02/01
CA1058	Grocery Showcase West 2001- Evaluation	04/02/01
CA1059	Canadian Food & Beverage Show 2001 - Evaluation	04/02/11
CA1126	Exploring Canada's Food Manufacturing Industry	09/19/01
CA1130	Food & Beverage Promotional Opportunities	09/20/01
CA1161	Canadian 2002 Foodservice Sales Forecast	11/16/01
CA2001	Organic Food Industry Report	04/01/02

